

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-6-21 Refer to Exh. BSG/JES-1, at 44; Exh. BSG/JES-1, Sch. JES-10; and Exh. BSG/JES-1, Workpaper JES-10, at 1. Please provide the following for the Company's customer deposits for the last 5 years:
the beginning-of-year balance;
the end-of-year balance;
the amount of changes from the preceding year.

Response: Please see Table DTE-6-21 below.

Table DTE-6-21

<u>Year</u>	<u>Beginning Balance</u> \$	<u>End of Year Balance</u> \$	<u>Change</u> \$
2000	1,574,469	1,839,446	264,977
2001	1,839,446	2,974,967	1,135,521
2002	2,974,967	2,980,692	5,725
2003	2,980,692	3,193,497	212,805
2004	3,193,497	3,046,489	(147,008)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-8-3 Refer to Exh. BSG/JES-1, at 31. Please provide the derivation of the total payroll taxable for social security tax purposes of 74 percent. In addition, please provide any payroll tax returns (Form 941, for example, which support the Company's calculation.

Response: Please see Bay State's response to DTE-5-36 filed this date.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-8-7 Refer to Exh. BSG/SAB-1, at 46. Please provide the amount of pension and PBOP expenses currently recovered in the base rates approved by the Department in Bay State Gas Company, D.P.U. 92-111 (1992).

Response: In Bay State Gas Co, D.P.U. 92-111 (1992) at 226, the Department approved for PBOP \$1,666,615, the tax-deductible amount. For pension costs, the Company did not make an adjustment to the per book/test year pension cost which was based on FAS 87. No discussion was included in the Department's order. The gross amount included in the test year was \$2,797,411. A portion of this amount would have been capitalized and a portion may have been billed to Northern via the Management Fee. These amounts are not readily available.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
EIGHTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-8-10 Refer to Exh. BSG/SAB-1, at 46. Please provide the amount of pension and PBOP expenses currently recovered in the base rates approved by the Department in Bay State Gas Company, D.P.U. 92-111 (1992).

Response: In Bay State Gas Co, D.P.U. 92-111 (1992) at 226, the Department approved for PBOP \$1,666,615, the tax-deductible amount.

For pension costs, the Company did not make an adjustment to the per book/test year pension cost which was based on FAS 87. No discussion was included in the Department's order. The gross amount included in the test year was \$2,797,411. A portion of this amount would have been capitalized and a portion may have been billed to Northern via the Management Fee. These amounts are not readily available.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-1 Refer to Exh. BSG/JES-1, Workpaper JES-6, at 21. Please provide the basis for computing bad debt expense of \$8,244,660 for accounting purposes and the percentage of this expense to total test year firm billed revenues.

Response: The bad debt expense of \$8,244,660 is made up of the following factors:

Gross Accrual	\$9,549,525
Less Gas Cost portion of gross accrual	<u>6,595,000</u>
Net Accrual	\$2,954,525
Bad Debt Recoveries	\$5,290,135
Total Bad Debt accrual reported on Line 46 – Workpaper JES-6, pg 21	\$8,244,660

Attachment DTE-9-1 (A) provides a narrative of the bad debt accrual process.

Attachment DTE-9-1 (B) provides a copy of the calculation utilized for 2004.

As requested, the percentage of the \$8,244,660 to total test year firm billed is as follows:

$$\$8,244,660 / \$473,368,000 = 1.74\%$$

However, the more appropriate comparison is as follows:

$$\$9,549,555 / \$473,368,000 = 2.01\%.$$

**Bay State Gas
Bad Debt Reserve Accrual Methodology**

Residential/Low Pressure Commercial Accrual Methodology

Theoretically, Bay State charges off accounts receivable in excess of 120 days outstanding from the initial billing date (calendar days). Therefore, the December Provision for Uncollectible Accounts needs to reflect the portion of receivables recorded for September through December that will not be collected. The net charge-offs for the twelve month ended period (TME) December, divided by the TME August revenues, provides the most recent experience factor. This experience factor is multiplied by the September through December revenues to provide the needed balance of the provision for uncollectible account. Only the residential and low-pressure commercial customer class accounts receivable information is included in the above calculation.

The accrual (expense) recorded during the year reflects the difference between the prior period provision balance and the expected current year provision balance calculated as described above (accrual = current year estimated provision - prior year provision balance + current year net charge-offs). The accrual is allocated among the months based on a "revenue" curve. Net charge-offs are recorded as incurred. Budget information (updated for actual when available) is used in the calculations when recording the January through November accruals. Actual information is used to calculate and record the December entry. As budget changes occur throughout the year, the accrual is adjusted accordingly in the remaining months.

Attachment B in this response is a copy of the final calculation for 2004 and is the basis for the journal entries detailed below.

Large Volume/High Pressure Methodology

Large volume customers (non-residential and low pressure commercial) accounts are monitored individually and reserved on a case-by-case basis.

Journal Entry To Record Accrual

The summarized 2004 journal entries to record the accrual (expense) is as follows:

Debit	Account 904 – Uncollectible Expense	\$9,549,524
	Credit Account 260 – Bad Debt Reserve	(\$9,549,524)

Gas Cost Portion of Bad Debt

In accordance with the Cost of Gas Factor Clause Bay State recovers gas cost portion of bad debt expense through the Cost of Gas mechanism. The following summarized journal entry records the gas cost portion of the bad debt expense in the above entry to a regulatory asset pending recovery:

Debit	Account 182 – Regulatory Asset – Bad Debt	\$6,595,000
-------	---	-------------

Bay State Gas Company
Witness: John Skirtich
D.T.E. 05-27
Attachment DTE-9-1 (A)
Page 2 of 2
Credit Account 904 – Uncollectible Expense (\$6,595,000)

The following entry is recorded to recognize the gas cost portion of bad debt expense – calculated to match the expense recorded with the revenue generated by the Cost of Gas bill component:

Debit	Account 904 - Uncollectible Expense	\$5,290,135
Credit	Account 182 - Regulatory Asset – Bad Debt	(\$5,290,135)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-2 Refer to Exh. BSG/JES-1, Schedule JES-6, at 9, ln. 11. Is it required to allocate the test year bad debt adjustment of \$10,305,726 between base rates and the Cost of Gas Adjustment Clause? If your response is negative, please explain, in detail, the significant disparity between the proposed test year adjustment of \$10,305,726 and test year bad debt expense of \$3,199,694.

Response: Yes. As shown on Schedule JES-4, Column 3, Line 19, \$7,118,165 has been reflected as recoverable via the CGA.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-3 Refer to Exh. BSG/JES-1, Schedule JES-6, at 9. Please provide, for the years 2002 and 2003, the percent of bad debt expense for accounting purposes to total firm billed revenues.

Response: The total bad debt accrual for 2002 and 2003 calculated as described in the response to DTE-9-1 were \$5,162,726 and \$8,141,552, respectively.

The total firm billed revenues for 2002 and 2003 were \$315,494,000 and \$447,351,000, respectively.

The calculated percentages would be 1.64% and 1.82% for years 2002 and 2003 respectively.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-4 Refer to Exh. BSG/JES-1, Schedule JES-6, at 9. Did the Company change its bad debt accrual rate for accounting purposes during the test year, or the two years prior to the test year?

Response: The experience factor as described in Attachment DTE-9-1 (A) is updated each year based on the most current information (the 2004 calculation is provided in Attachment DTE-9-1 (B)).

The experience factor utilized in the bad debt accrual calculation for the last three years was as follows:

2004	2.877899%
2003	2.894513%
2002	3.392316%

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-7 Refer to Exh. BSG/JES-1, Workpaper JES-6, at 21. Please explain with supporting schedules the reasons for:
(1) the November 2003 adjustment under each service area;
(2) the negative entries for June (Lawrence) 2002, April (Brockton and Springfield) and May (Lawrence) 2003, and for January (Springfield) and June (all service areas) 2004.

Response: The November adjustment reflects a memo journal entry made to clean up some account classification codes on the general ledger. The write-off account was debited and credited for the same dollar amount. For purposes of understanding the net write-offs recorded in the month – the \$1,489,284.76 in the row titled Nov can be added to the \$362,399.05 in the row titled Nov-Adjustment for the total November net write-offs.

The negative write-off amounts in June 2002 as well as April and May 2003 reflect months in which recoveries of customer accounts already written off are in excess of the customer account balances written off for that particular operating area.

The negative entries detailed in June 2004 reflect a problem encountered during the accounting closing process in which the write-offs were not calculated and recorded. The recoveries of customer accounts already written off were recorded. The June 2004 write-offs were included in the July 2004 processing and is reflected in the higher amounts noted in that month.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-8 Please describe each of the per books items listed on lines 46 through 52 in Exh. BSG/JES-1, Workpaper JES-6, at 21 (or lines 2 through 8 of Workpaper JES-6, at 23) and cross-reference or explain how each of the indicated amount under the columns labeled "Gas Revenue Income Statement" and "EP&S [Energy Products and Services] Income Statement" was determined.

Response: The \$86,737 of bad debt expense on line 47 of Workpaper JES-6, at 21 reflects costs associated with the Sundry and Guardian Care programs.

The \$326,029 of bad debt expense on line 49 of Workpaper JES-6, at 21 reflects costs associated with the Water Heater and Home Heater programs.

The bad debt expense for these items was calculated using the following formula:

12/31/04 reserve required
Less 12/31/03 reserve required
Plus 2004 charge-offs
Equals 2004 bad debt expense

The reserve required at the end of 2003 and 2004 was the total of AR balances > 120 days outstanding at December 31.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-17 Refer to Exh. BSG/JES-1, Workpaper JES-6, at 22. Please provide the amount of monthly write-offs for EP&S revenues, including any adjustments thereto, for 2005 when data is available. This is a continuing request until the record is closed in this proceeding.

Response: Please see Table DTE-9-17(a) and (b) below.

Table DTE-9-17 (a)

<u>Per Books</u>	<u>Reserve- Sundry Uncollectible</u>			
	<u>01BS</u>	<u>02BS</u>	<u>04BS</u>	<u>Total</u>
	<u>526005</u>	<u>526005</u>	<u>526005</u>	<u>526005</u>
	\$	\$	\$	\$
Jan, 2005	3,031	501	886	4,419
Feb	5,713	3,953	242	9,909
Mar	7,256	18,001	5,520	30,776
Apr	5,508	5,701	2,656	13,866
May	1,769	2,346	455	4,570
Jun	0	0	0	0
Jul	0	0	0	0
Aug	0	0	0	0
Sep	0	0	0	0
Oct	0	0	0	0
Nov	0	0	0	0
Dec	0	0	0	0
Total	23,277	30,503	9,759	63,539

Table DTE-9-17 (b)

Per Books

	Reserve- Water Heater Rentals Uncollectible			
	01BS	02BS	04BS	Total
	526009	526009	526009	526009
	\$	\$	\$	\$
Jan, 2005	28,908	12,735	(59)	41,584
Feb	26,677	33,005	5,998	65,680
Mar	15,931	40,454	12,146	68,531
Apr	22,348	70,063	31,342	123,753
May	(910)	7,876	(5,014)	1,952
Jun	0	0	0	0
Jul	0	0	0	0
Aug	0	0	0	0
Sep	0	0	0	0
Oct	0	0	0	0
Nov	0	0	0	0
Dec	0	0	0	0
Total	92,954	164,133	44,413	301,500

Per Books

	Reserve- Residential Guardian Care Uncollectible			
	01BS	02BS	04BS	Total
	526011	526011	526011	526011
	\$	\$	\$	\$
Jan, 2005	679	1,963	2,329	4,971
Feb	3,095	2,935	328	6,357
Mar	1,335	2,067	395	3,797
Apr	1,901	3,157	5,513	10,570
May	913	918	(3,869)	(2,038)
Jun	0	0	0	0
Jul	0	0	0	0
Aug	0	0	0	0
Sep	0	0	0	0
Oct	0	0	0	0
Nov	0	0	0	0
Dec	0	0	0	0
Total	7,922	11,039	4,695	23,657

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
NINTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-9-24 Please reconcile or explain the difference between the test year normalized operation revenue of \$481,909,253 shown in Exh. BSG/JES-1 and the test year normalized firm sales revenues of \$474,918,261 shown in Exh. BSG/JES-1, Sch. JES-6, at 9, line 10.

Response: See line 6 Test Year Normalized Firm Sales Revenue and line 20 Total Revenue in Table DTE-9-24 below.

Table DTE-9-24

Line	Exh.BSG/JES-1
<u>No.</u> <u>Description</u>	<u>Schedule JES-4</u>
	(3)
	\$
1 Residential Sales Revenue	327,710,750
2 Comm/Industrial Sales Revenue	124,205,473
3 Interruptible Sales Revenue	<u>0</u>
4 Residential Transportation of Gas	25,195
5 Comm/Industrial Transportation of Gas	<u>22,976,843</u>
6 Test Year Normalized Firm Sales Revenue	474,918,261
7 Off System Sales	0
8 Gas Property Revenue	1,513,333
9 Rental Revenue	6,824,456
10 Guardian Care/Inspections	7,690,936
11 Lost Net Revenue	(10)
12 Late Payment Charges	685,241
13 Return Check Charge	27,736
14 Carrying Costs-Pre tax of Rate of Return	1
15 Prod & Storage Revenues	9,129,632
16 Customer R&C Shut-off Turn-off	<u>93,975</u>
17 Total Other Oper. Revenues	25,965,300
18 Elimination of Indirect GAF and DAF	(26,092,473)
19 Add back Bad Debt Exp. Included in Indirect Gas Cost	<u>7,118,165</u>
20 TOTAL REVENUE	<u>481,909,253</u>

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John Skirtich, Consultant (Revenue Requirements)

DTE 11-21 Please provide the total amount of vacation pay accrued that was booked as an expense during the test year and the level included in the Company's cost of service in this case. Please explain any difference between the two figures.

Response: The net change in the accrued vacation liability from the end of 2003 to the end of 2004 was \$380,000 as shown on Table DTE-11-21.

Of the \$380,000 approximately \$114,000 was capitalized and \$10,900 billed to Northern via the Management fee. The net impact on O&M expense was \$255,100. No adjustment was made to accrued vacation in the company's cost of service. The amount included in the per book level is the same as the Company's cost of service.

Table DTE-11-21

	<u>12/31/03</u>	<u>12/31/04</u>	<u>Net Change</u>
Accrued Vacation	(\$459,000)	(\$839,000)	(\$380,000)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Steven A. Barkauskas, Vice President Total Rewards
NiSource Corporate Services Company

DTE-11-27 Please discuss the Company's overall business strategy regarding the minimization of total unit-labor costs.

Response: Please refer to the Company's responses to the following information requests: DTE 11-40, DTE 11-25 and DTE 11-26.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Steven A. Barkauskas, Vice President Total Rewards
NiSource Corporate Services Company

DTE-11-33 Refer to Exh. BSG/SAB-1, at 38. Indicate: (a) whether employee participation in the Company's 401(k) plan is voluntary; and (b) whether employees participating in the Company's 401(k) plan are entitled to terminate participation at any time.

Response:

- (a) Employee participation in Bay State's and NiSource's 401(k) savings plans is completely voluntary.
- (b) An employee who is considered a participant in the plan may cease making contributions to his or her account at any time during employment. An employee who once participated in the plan will always be considered a participant to the extent the employee remains an active employee with NiSource, or an affiliate, or carries a vested balance after termination of employment with NiSource.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Steven A. Barkauskas, Vice President Total Rewards

DTE-11-40 Please indicate what steps, if any, the Company took to manage the cost of its employee compensation components over the last five years and what steps it plans to take in the future to minimize these costs.

Response: As indicated in the direct testimony of Steven A. Barkauskas (Exh. BSG/SAB-1) at page 4, the Company's philosophy is to compensate employees competitively in comparison with the utility industry as well as general industry and other employers in order to attract, retain and motivate qualified employees, while consistently meeting its requirements to provide safe and reliable least-cost service to its customers. The objective of the philosophy is to help minimize costs by ensuring that the Company is not over-compensating employees, and thus not incurring opportunity costs where the identical results could be achieved by compensating employees at lower amounts corresponding with the market. The philosophy also helps reduce the costs associated with turnover such as retraining and recruiting costs, since employees are compensated in a manner commensurate with what they would receive from other employers in the market.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-11-41 Refer to Exh. BSG/JES-1, at 38. Of the Company's \$4,674,251 proposed increase in depreciation expense, how much of this amount is attributable to changes in average service lives and how much of this amount is attributable to revisions in net salvage? Please show the answer in both dollar value and percentage as it relates to the Company's entire depreciation adjustment.

Response: As indicated in Mr. Earl Robinson's response to DTE-11-18, present rates were not broken out similar to the proposed depreciation rates, therefore, the data cannot be provided as requested.

However, an estimate of the proposed increase attributable to the average service life is \$3,193,916 and to net salvage is \$1,480,335. The estimates were based on the calculations provided in the Depreciation Study as of December 31, 2003. As shown on Table 1 \$19,179,046 or 68.33% relates to service life and \$8,877,634 or 31.67% relates to net salvage.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
ELEVENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-11-42 Refer to Exh. BSG/JES-1, at 38. Of the Company's proposed depreciation expense of \$28,800,958, how much of this amount is attributable to changes in average service lives and how much is attributable to revisions in net salvage? Please show answer in both dollar value and percentage as it relates to the Company's total depreciation expense.

Response: As indicated in Mr. Earl Robinson's response to DTE-11-18, present rates were not broken out similar to the proposed depreciation rates, therefore, the data cannot be provided as requested.

However, an estimate of the proposed depreciation increase attributable to the average service life is \$19,679,695 and to net salvage is \$9,121,263. The estimates were based on the calculations provided in the Depreciation Study as of December 31, 2003. As shown on Table 1, \$19,179,046 or 68.33% relates to service life and \$8,877,634 or 31.67% relates to net salvage.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-4 Refer to Exh. BSG/PRM-1, at 7. Please provide any documents and/or analyses performed by the Company examining the relationship between high gas prices and delinquent customer accounts.

Response: Mr. Moul has conducted no studies or analysis of this matter regarding delinquent customer accounts and the price of gas for the Company. It is intuitively obvious that high and volatile gas costs would precipitate collection problems for the Company.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-5 Refer to Exh. BSG/PRM-1, at 7. Please provide all source materials, studies, and/or analyses relied upon or conducted by Mr. Moul supporting his assessment of increased natural gas business risk as faced by the Company.

Response: Please refer to the documents attached as Attachment DTE-13-05.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-6 Refer to Exh. BSG/PRM-1, at 7-8. Please provide all source materials, studies, and/or analyses relied upon or conducted by Mr. Moul supporting his assessment of the impending threat of bypass in the Company's service area.

Response: Mr. Moul was provided with the list of the ten largest customers of Bay State and its subsidiary Northern Utilities. Of these customers some are served under special contracts, i.e., MMWEC, Con Ed and MCI Bridgewater. In addition, please refer to the testimony and evidence that has been and can be provided by Messrs. Bryant and Ferro, for additional details.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-18 Refer to Exh. BSG/PRM-1, at 21, and Exh. BSG/PRM-2, Sch. PRM-6, at 1-2.
Please explain all pro-forma adjustments referenced here.

Response: The pro forma adjustments to the Company's test year capital structure involve the maturity on June 21, 2005 of \$10 million notes and the planned issue of approximately \$15 million soon thereafter.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-20 Refer to Exh. BSG/PRM-2, Sch. PRM-2. Please provide specific source information for all items. If the data is from the Company's 2004 Annual Return to the D.T.E., please note page, account, and line of the item. If an item is Company-provided, please provide the underlying documents and analysis related to the item.

Response: Most of the financial data that was used for Schedule PRM-2 of Exhibit BSG/PRM-2 was taken from the Company's Annual Returns to the D.T.E. Please refer to Table DTE-13-20 provided below for specific details from the income statement and balance sheet.

Data Item	DTE Page	Line Number
I/S - Operating Revs-Total (MM\$)	10	2
I/S - Operating Inc Taxes-Total (MM\$)	10	9+11+12+13
I/S - Operating Exps-Total (MM\$)	10	14
I/S - Nonoperating Inc Taxes-Net (MM\$)	10	N/A
I/S - Gross Inc (Inc Bef Int) (MM\$)	10	31-NU/GPE
I/S - Interest Charges-Total (MM\$)	10	39
I/S - Allow for Funds Used During Const-Total (MM\$)	10	38
I/S - Subsidiary Preferred Dividends (MM\$)	10	N/A
I/S - Pref. Dividend Requirements (MM\$)	10	N/A
I/S - Preference Div. Requirements (MM\$)	10	N/A
I/S - Available for Common After Adj. for Common SE (MM\$)	10	40-NU/GPE
I/S - Earnings/Share (Primary) Excl. Extra. Items (\$&¢)	N/A	N/A
B/S - Common Equity-Total (MM\$)	9	7-pg 8 ln5
B/S - Subsidiary Preferred Stock at Carrying Value (MM\$)	9	4
B/S - Premium on Subsidiary Preferred Stock (MM\$)	9	4
B/S - Preferred Stock at Carrying Value (MM\$)	9	4
B/S - Premium on Preferred Stock (MM\$)	9	4
B/S - Preference Stock at Carrying Value (MM\$)	9	4
B/S - Premium on Preference Stock (MM\$)	9	4
B/S - Minority Interest (MM\$)	9	N/A
B/S - Long-Term Debt (Total) (MM\$)	9	18
B/S - Treasury Stock-Dollar Amount-Preferred (MM\$)	9	N/A
B/S - Capitalization (MM\$)	9	7+18
B/S - Debt (Long-Term Due Within One Year) (MM\$)	9	N/A
B/S - Short-Term Debt (Total) (MM\$)	9	20+pg 32 ln 53
B/S - Pref/Preference Stock Sinking Fund Requirement (MM\$)	9	N/A

For the cash flow items, the Form U5S filed by NiSource, Inc. with the Securities and Exchange Commission was employed. A copy of those pages is attached.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-22 Refer to Exh. BSG/PRM-2, Sch. PRM-11, at 2. Please provide all underlying data and source materials. Provide all, and explain the reason for, methods and analyses chosen for this table.

Response: The workpapers that support the annual returns shown on Schedule PRM-11 of Exhibit BSG/PRM-2 are attached. They involve the computations made by Mr. Moul for the annual returns for the S&P Public Utility Index. The remaining annual returns were taken from published sources, i.e., Ibbotson Associates for the S&P Composite Index and Long-Term Corporate Bonds and Lehman Brothers Global Family of Indices for the Public Utility Bonds. The source documents are as Attachment DTE-13-22.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant (ROE)

DTE 13-24 Refer to Exh. BSG/PRM-1, at 24. Please provide a copy of all orders from the
Pennsylvania Public Utility Commission cited on this page.

Response: A copy of an excerpt dealing with the rate of return issue from those orders are
attached as Attachment DTE-13-24.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Paul R. Moul, Consultant

DTE 13-28 Refer to Exh. BSG/PRM-1, at 44. Did Mr. Moul perform any quantitative analysis to arrive at the 4.75 percent equity risk premium? If so, please provide all workpapers and documentation used, and explain this analysis.

Response: Please refer to Mr. Moul's testimony at pages 43 and 44. The 4.75% common equity risk premium was determined after first establishing that a 4.95% common equity risk premium was appropriate for the S&P Public Utilities. The 4.95% common equity risk premium for the S&P Public Utilities was calculated based upon the holding period returns for both the utility equity index and the returns on public utility bonds published by Lehman Brothers. From the entire historical series, representative common equity risk premiums were calculated using arithmetic means, geometric means, and medians. By focusing on the middle values shown by the periods 1928-2004 and 1979-2004, the 4.95% common equity risk premium provides a reasonable common equity risk premium for the S&P Public Utilities.

As previously determined, the required common equity risk premium for the Gas Group is less than that required for the S&P Public Utilities due to differences in the composition of the companies in each group. Due to differences in risk fundamentals represented by an analysis that considered size, market ratios, common equity ratio, return on book equity, operating ratios, coverage, quality of earnings, internally generated funds, and betas, it was determined that 4.75% would be a reasonable common equity risk premium. The 4.75% equity risk premium was 96% ($4.75\% \div 4.95\%$) of the common equity risk premium of the S&P Public Utilities. This represents, in Mr. Moul's opinion, a reasonable differentiation of the risk between the groups.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FOURTEENTH SET OF INFORMATION REQUESTS FROM THE ATTORNEY
GENERAL
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE 14-4 Refer to Exhs. BSG/JES-1, at 31-32; BSG/JES-1, Workpaper JES-6, at 27; and BSG/JES-1, Schedule JES-6, at 11 and 12; and Company's responses to AG 174, dated May 20, 2005, and DTE 6-4, dated June 6, 2005. Understanding that the Company is not requesting recovery of charitable donations made in 2004, please provide the following:

(A) a list of all contributions made by Bay State during 2004, including date of donation, amount of donation, and the name of the party receiving the donation;

(B) a list of all contributions made by Nisource and attributed to Bay State during 2004, including date of donation, amount of donation, and the name of the party receiving the donation; and

(C) dated invoices or receipts of all donations listed in (A) and (B).

If the total value of contributions in list (A) does not equal the \$147,271 value listed on BSG/JES-1, Schedule JES-6, at 12, please explain any difference.

If the total value of contributions in list (B) does not equal the \$8,735 value listed on Exh. BSG/JES-1, Schedule JES-6, at 11 and BSG/JES-1, Workpaper JES-6, at 27, please explain any difference.

If any donations appear in both lists, please explain any overlap, and explain the accounting of those values.

Response: (A.) Please see Attachment DTE-14-4 (A) for the list of all contributions made by Bay State during 2004.

(B.) Please see Attachment DTE-14-4 (B) for the list of all contributions made by NSCS and allocated to Bay State during 2004.

(C.) Because Bay State is not seeking recovery of these charitable donations and because of the time and manhours this large document production would require, Bay State respectfully requests that it not be required to identify, isolate and photocopy such invoices for no purpose.

Bay State Donations to Charitable Organizations For The Year 2004

Line No.	Date Booked to Acct 930-02	Name of Party Receiving Donation	Amount of Donation \$
1	Jan. 28, 2004	Old Colony Hospice	250
2	Jan. 31, 2004	United Way Pioneer Valley	2,000
3	Jan. 31, 2004	Brockton Family & Community	2,500
4	Jan. 31, 2004	Community Health Charities	2,000
5	Feb. 29, 2004	Valley Opportunity Council	300
6	Feb. 29, 2004	Oliver Ames High School	50
7	Feb. 29, 2004	ICYBA	300
8	Mar. 31, 2004	New England Fire Chiefs Association	500
9	Mar. 31, 2004	Attleboro Chamber of Commerce	100
10	Mar. 31, 2004	North Shore Community College	1,500
11	Mar. 31, 2004	Area Community Council Inc.	2,000
12	Mar. 31, 2004	Silver Lake Baseball Boosters	100
13	Mar. 31, 2004	Multiple Sclerosis Society	200
14	Mar. 31, 2004	North Hampton Community Music School	1,000
15	Mar. 31, 2004	D.A.R.E Massachusetts	2,000
16	Mar. 31, 2004	Kids Voting C/O Springfield	2,500
17	Mar. 31, 2004	Ludlow Local Emergency	1,000
18	Mar. 31, 2004	New England Youth Sports Association	100
19	Mar. 31, 2004	Steve & Kelly Webb Fund	100
20	Apr. 23, 2004	Weir Corporation	1,000
21	Apr. 23, 2004	Spirit of Springfield	200
22	Apr. 23, 2004	Methuen Annual Spring Cleanup	1,000
23	Apr. 30, 2004	City of Chicoppe	2,500
24	Apr. 30, 2004	Taunton River Watershed Alliance	500
25	Apr. 30, 2004	Massachusetts Gymnastics	200
26	Apr. 30, 2004	Brockton Post 35	100
27	May 31, 2004	Business Friends of the Arts	15,000
28	May 31, 2004	Stonehill College	1,500
29	May 31, 2004	Town of Walpole	5,000
30	May 31, 2004	Fitchburg Art Museum	750
31	May 31, 2004	Friends of the Council	3,500
32	May 31, 2004	Tuna Club	100
33	May 31, 2004	The YMCA of Greater Worcester	1,000
34	May 31, 2004	Fitzgerald & Robbins Inc.	471
35	Jun. 30, 2004	The Salvation Army	15,000
36	Jun. 30, 2004	Massasoit Community College	3,500
37	Jun. 30, 2004	Mayor's Worth Cause	500
38	Jun. 30, 2004	NAACP Special Contribution Fund	2,500
39	Jun. 30, 2004	Arts Collaborative of Taunton	1,000
40	Jun. 30, 2004	Walpole Little League	500
41	Jun. 30, 2004	Brockton Public Library	500
42	Jun. 30, 2004	Brockton High School Key Club	300

Bay State Donations to Charitable Organizations For The Year 2004

Line No.	Date Booked to Acct 930-02	Name of Party Receiving Donation	Amount of Donation
			\$
43	Jun. 30, 2004	Officer Ron Tatro Fund	500
44	Jun. 30, 2004	Springfield Museums	1,500
45	Jun. 30, 2004	F. B. Charities Inc	1,500
46	Jun. 30, 2004	Crosslight Organization	2,500
47	Jun. 30, 2004	Reaching Back Foundation	500
48	Jul. 01, 2004	Center for Human Development	500
49	Jul. 31, 2004	American Red Cross	3,750
50	Jul. 31, 2004	Attleboro House of Hope	3,000
51	Jul. 31, 2004	Old Colony Elderly Services	350
52	Jul. 31, 2004	Knights of Columbus	100
53	Aug. 31, 2004	Taunton Emergency Task Force	2,000
54	Aug. 31, 2004	Brockton Public Schools	500
55	Aug. 31, 2004	Basketball Hall of Fame	8,000
56	Aug. 31, 2004	Lazarus House of Lawrence	1,000
57	Aug. 31, 2004	Arts Collaborative of Taunton	1,000
58	Aug. 31, 2004	Brockton Colt Baseball League	100
59	Sep. 30, 2004	Brockton City Arts Inc	3,000
60	Sep. 30, 2004	Brockton Symphony Orchestra	2,000
61	Sep. 30, 2004	American Cancer Society	100
62	Sep. 30, 2004	Hanover Youth Hockey	250
63	Sep. 30, 2004	Ma Underground	1,000
64	Sep. 30, 2004	Mansfield Youth Soccer	100
65	Sep. 30, 2004	Brockton Garden Club	1,000
66	Sep. 30, 2004	Alzheimers Association Ma Chapter	100
67	Sep. 30, 2004	Ma Sid Center	1,000
68	Oct. 31, 2004	Attleboro Police Department	5,000
69	Oct. 31, 2004	Business Friends of the Arts	750
70	Oct. 31, 2004	American Cancer Society	100
71	Oct. 31, 2004	Heart of Taunton	500
72	Oct. 31, 2004	Attleboro Council of Aging	2,000
73	Oct. 31, 2004	Taunton Nursing Home	2,500
74	Oct. 31, 2004	Friends of Taunton State Hospital	200
75	Oct. 31, 2004	DW Field Park Association	500
76	Oct. 31, 2004	Irene & George Davis Foundation	5,000
77	Oct. 31, 2004	Juvenile Diabetes Research Foundation	150
78	Oct. 31, 2004	South End Community Center	2,000
79	Jan. 08, 2005	Springfield Museums	5,000
80	Dec. 31, 2004	Sun Chronicle Toys for Tots	1,000
81	Dec. 31, 2004	WGBY 57	2,000
82	Dec. 31, 2004	The Salvation Army	500
83	Dec. 31, 2004	Town of East LongMeadow	2,500
84	Dec. 31, 2004	Taunton Emergency Task Force	1,000
85	Dec. 31, 2004	My Brothers Keeper	1,000

Bay State Gas Company
Witness Responsible: John E. Skirtich
D.T.E. 05-27
Attachment DTE-14-4 (A)

Bay State Donations to Charitable Organizations For The Year 2004

<u>Line No.</u>	<u>Date Booked to Acct 930-02</u>	<u>Name of Party Receiving Donation</u>	<u>Amount of Donation</u> \$
86	Dec. 31, 2004	Lawrence Community Works	1,000
87	Dec. 31, 2004	Patriot Ledger	1,000
88	Dec. 31, 2004	Enterprise Helping Hands Fund	1,000
89	Dec. 31, 2004	Attleboro Council of Aging	1,000
90	Dec. 31, 2004	Mitchell Memorial Club	100
91	Dec. 31, 2004	Lorraines Soup Kitchen	<u>1,000</u>
92		Total Bay State Donations to Charitable Organization for 2004	147,271

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIFTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Stephen H. Bryant, President

DTE-15-2 Refer to Exhibit BSG/SHB-3. Has the Department approved the Service Agreement between NiSource Corporate Services Company and Bay State Gas Company, dated March 31, 2005 (see G.L. c. 164, § 94B)? If yes, please provide a copy of the Order approving the Agreement. If no, please explain.

Response: The Department has not approved the Agreement.

The Agreement as drafted (see section 2.6) does not require Departmental approval (see G.L. c. 164, § 94B).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
THIRTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Stephen H. Bryant, President

DTE-15-3 Refer to Exhibit BSG/SHB-4. Has the Department approved the Operational Services Agreement between Bay State Gas Company and Northern Utilities, Inc., dated January 1, 2003 (see G.L. c. 164, § 94B)? If yes, please provide a copy of the Order approving the Agreement. If no, please explain.

Response: The Department has not approved the Agreement.

The Agreement as drafted (see section 3) does not require Departmental approval (see G.L. c. 164, § 94B).

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: John E. Skirtich, Consultant (Revenue Requirements)

DTE-16-3 Refer to Exh. BSG/JES-1, at 49. Please provide all supporting schedules and documentation for the \$125,000 adjustment allowed by the Department in D.P.U. 92-111 and cite to any specific page(s) in that Order.

Response: Attachment DTE –16-3 includes Workpaper BSG –3-5 from DPU 92-111 showing the development of the Company's rate base. Line 8 includes the \$125,000. Also included in Attachment DTE-16-3 is Page 18 of the 1991 Annual Return to the Department showing the amount identified as completed construct not class; the \$125,000. No discussion on the item was included in the order and the amount was not adjusted out.

The adjustment made in the Company's 2005 rate filing represents the same type of items; completed construction but yet classified to in service plant. Account 106 has not been used since the last rate case, but it does not mean that these items are not providing service to customers at the end of the year. Since they are in service they should be included in the Company's revenue requirement calculation.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SIXTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Danny G. Cote, General Manager

DTE-16-18 Refer to Exh. BSG/DGC-1, at 40-41. Please define with illustrative examples any differences between non-discretionary plant and non-revenue producing plant.

Response: There is no difference between non-discretionary plant and non-revenue producing plant. Both are plant investments that are required to do one or more of the following: To operate the system safely. To deliver reliable peak day capacity. To meet the mandates of codes or standards.

Examples of the types of plant are as follows:

- To operate the system safely – The SIR is an example of system replacement necessary to continue to operate the system safely.
- To deliver reliable peak day capacity – Examples of this would be: new or rebuilt city gate stations or district regulators, replacing mains to increase capacity, new or replacement peak shaving facilities.
- To meet the mandates of codes or standards – An example of this would include replacing a section of cast iron that had been encroached upon as defined in Chapter 220 of the Code of Massachusetts Regulations.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
SEVENTEENTH SET OF INFORMATION REQUESTS FROM THE D.T.E.
D. T. E. 05-27

Date: June 22, 2005

Responsible: Stephen H. Bryant, President

DTE-17-11 Please provide a monthly listing of all Department-ordered billing adjustments from January 2004 through May 2005.

Response: DTE-17-11 (a) is a monthly schedule of all Department-ordered billing adjustments in 2005.

DTE-17-11 (b) is a monthly schedule of all Department-ordered billing adjustments in 2004.